

Report to: **Salcombe Harbour Board**

Date: **19 October 2020**

Title: **2021/22 Budget**

Portfolio Area: *Salcombe Harbour*

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken:  
(e.g. referral on of recommendation or implementation of substantive decision)

**Recommendations  
to be considered  
by the Council at  
its meeting on 17  
December 2020**

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#### **RECOMMENDATION**

**That the Board RECOMMENDS to Council that the proposed 2021/22 budget set out within the report is approved.**

#### **1. Executive summary.**

This report proposes the Salcombe Harbour Authority budget for 2021/22 and provides a forecast for 2020/21.

## **2. Background.**

1) The Salcombe Harbour Strategic Business Plan 2017-2022 sets out the challenges and opportunities facing the Harbour over the coming years, and the proposed budget – attached to this report – is based on the assumptions and strategic direction contained within the Business Plan. Key drivers for the proposed budget include:

- compliance with the Port Marine Safety Code
- supporting the retention of a competent and engaged workforce
- improving reserve funding to help serve the replacement programme and reduce future borrowing
- continuing to consciously ensure we are protecting our team and our stakeholders by working COVID secure in these uncertain times
- working to safely and efficiently maintain viable facilities, services and operations to a potentially restricted stakeholder base during the COVID pandemic

## **3. Outcomes/outputs**

The preparation of a detailed and balanced harbour budget ensures that adequate resources are in place to deliver the services identified in the business planning process, and that the Harbour remains financially viable and sustainable in the medium to long term.

## **4. Issues for consideration:**

### **1) Forecast 2020/21**

Gross expenditure is set at £1.18 million in the 2020/21 balanced budget. As at 30<sup>th</sup> September 2020 a shortfall of £56,600 (4.8%) is forecast for 2020/21 as detailed in Appendix A. This is mainly due to the reduction in visiting trade directly from the COVID-19 pandemic lockdown and the knock on effects to the usage of particular facilities and services. Next to no income was obtained until July from visitors either travelling to Salcombe by land or sea due to the lockdown on travel and overnight stays. Despite a very busy compressed season the losses have not been fully recovered. Restrictions in general and in the town resulted in a loss of ability and desire to use the alongside berths of Normandy and Whitestrand, and whilst the taxi was restricted in capacity it was not busy and produced a large gap to expected budget. Particular moorings facilities

offered retrospectively at 50% due to COVID also did not meet budget.

A detailed budget monitoring report for 2020/21 will be brought to the Board in January.

2) **Budget 2021/22**

The forecast position for 2021/22 is shown at Appendix A, with the 2020/21 budget used as a baseline position. Variations from this baseline, both in terms of the additional resource requirements and identified efficiencies are discussed in detail below, grouped by category of budget head.

3) **Employee costs**

Staff costs are the single largest area of expenditure. The 2021/22 budget is based on the current staffing structure and assumes:

- a 2% pay increase
- movement of staff through spinal column points where appropriate

	<b>£</b>	<b>£</b>
<b>Staffing Budget 2020/21</b>		<b>429,700</b>
<b>Additional requirements &amp; inflationary pressures:</b>		
Salaries and wages	26,500	
NI and superannuation	16,600	
Overtime	3,000	
Employers Liability Insurance	700	
<b>Total additional requirements</b>		<b>46,800</b>
<b>Savings:</b>		
Recharge to Headquarters	(16,800)	
<b>Total savings</b>		<b>(16,800)</b>
<b>Net additional requirements/(savings)</b>		<b>30,000</b>
<b>Staffing Budget 2021/22</b>		<b>459,700</b>

4) **Premises related expenditure**

The main pressures in the Premises budget for 2021/22 relate to an increase of £4,000 for the deep water mooring maintenance diving contract and £3,000 for the purchase of chain to reflect current market prices. This is partly offset by a reduction in the estimate of the rent payable to the Duchy due to the reclassification of some income from Mooring Hire to Harbour Dues.

	£	£
<b>Premises Budget 2020/21</b>		<b>369,500</b>
<b>Additional requirements &amp; inflationary pressures:</b>		
Diving maintenance support	4,000	
Chain and Shackles	3,000	
Trade Waste	1,500	
Cleaning	1,000	
Health and Safety	1,000	
Utilities	600	
<b>Total additional requirements</b>		<b>11,100</b>
<b>Savings:</b>		
Rent to Duchy	(4,200)	
<b>Total savings</b>		<b>(4,200)</b>
<b>Net additional requirements/(savings)</b>		<b>6,900</b>
<b>Premises Budget 2021/22</b>		<b>376,400</b>

5) **Supplies and services**

	£	£
<b>Supplies &amp; Services Budget 2020/21</b>		<b>79,500</b>
<b>Additional requirements &amp; inflationary pressures:</b>		
Clothing	500	
Miscellaneous including the AONB Estuary Conservation Programme	400	
<b>Total additional requirements</b>		<b>900</b>
<b>Supplies &amp; Services Budget 2021/22</b>		<b>80,400</b>

6) **Transport**

	£	£
<b>Transport Budget 2020/21</b>		<b>57,500</b>
<b>Additional requirements &amp; inflationary pressures:</b>		
Fuel	2,000	
Transport Insurance		
R & M – Crane and Fork Lift Truck	1,000	
Transport Insurance	1,000	
<b>Total additional requirements</b>		<b>4,000</b>
<b>Transport Budget 2021/22</b>		<b>61,500</b>

7) **Central support and HQ costs**

	£	£
<b>Central Support &amp; HQ Budget 2020/21</b>		<b>54,200</b>
Inflation	1,500	
<b>Total additional requirements</b>		<b>1,500</b>
<b>Central Support &amp; HQ Budget 2021/22</b>		<b>55,700</b>

8) **Contributions to Harbour reserves**

The Harbour holds 3 reserves:

- **General Reserve** – comprising the accumulation of generated trading surpluses;
- **Renewals Reserve** – for the replacement of the Harbour’s infrastructure assets, excluding pontoons;
- **Pontoon Reserve** – for the replacement of pontoons;

The principle adopted in the Business Plan is that, wherever possible, sufficient funds are set aside on an annual basis to provide for the replacement of harbour assets, augmented by

borrowing if necessary. A summary of Harbour Reserve balances and proposed contributions for 2021/22 is shown in Appendix B.

Taking into account the budgeted reserve contributions for 2021/22, total reserve balances are anticipated to increase from £438,918 at 31 March 2021 to £534,718 as at 31 March 2022.

9) **Contribution to a Council reserve**

The Harbour contributes to the Council's Marine Infrastructure reserve. The contribution to this reserve is proposed to continue at £58,000 in 2021/22.

10) **Capital charges**

Capital charges refer to the cost of servicing loans which have been provided by the District Council for the purchase of Harbour assets. Currently there is one loan outstanding in respect of the Pontoons Project which commenced on 1 October 2018 with an annual repayment of £12,800. Further details of this loan can be found in Appendix B.

11) **Items to be met from reserves.**

In 2021/22 one item of expenditure has been identified to be funded from Harbour reserves. This relates to the purchase of an engine up to £10,000 as shown in Appendix B. The specific nature of the engine will depend on operational demand in 2021/22. It is proposed that £10,000 is earmarked every year in the Renewals Reserve to fund engine replacement going forward.

12) **The overall expenditure position 2021/22**

	<b>£</b>
<b>Total Expenditure Budget 2020/21</b>	<b>1,184,700</b>
Net additional requirements/(savings)	39,800
<b>Total Expenditure Budget 2021/22</b>	<b>1,224,500</b>

13) **Income 2021/22**

The income allocations have been reviewed in 2020/21 and £23,800 has been reclassified from Mooring Hire to Harbour Dues. This has been reflected in the 2021/22 budget but has no overall impact on the level of budgeted income. However, it will result in a reduction in the rent payable to the Duchy of £4,200 reflected in the Premises expenditure budget above.

	<b>£</b>
<b>Total Income Budget 2020/21</b>	<b>(1,184,700)</b>
Reduction in contributions from reserves based on expenditure identified for 2021/22	3,500
Reduction in interest due to historically low interest rates	700
<b>Total Income Budget 2021/22</b>	<b>(1,180,500)</b>

14) **Budget deficit 2021/22**

	<b>£</b>
<b>Total Expenditure Budget</b>	<b>1,224,500</b>
<b>Total Income Budget</b>	<b>(1,180,500)</b>
<b>Budget Deficit 2021/22</b>	<b>44,000</b>

**5. Proposed Way Forward.**

It is proposed that the fees and charges are reviewed to reduce the deficit identified above to £0. This is the subject of a separate report.

**6. Payments between Salcombe Harbour and South Hams District Council**

To aid transparency an analysis of the budgeted payments between Salcombe Harbour and the District Council is shown in Appendix C. This compares the movement in the budgets from 2020/21 to 2021/22.

The net amount payable to the Council in 2021/22 is anticipated to reduce by £13,000 to £38,000 mainly due to a review of the Harbour salary recharges. This include an estimated pay award for 2021/22.

## 7. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The power to manage the Harbour and levy charges is provided by The Pier and Harbour (Salcombe) Confirmation Order 1954
Finance	Y	The report identifies a <b>funding gap of £44,000 for 2021/22</b> before any review of charges. It is anticipated that the shortfall can be met by various amendments to the existing charging structure, as identified in a further report to this meeting.
Risk	Y	The Harbour maintains three different reserves, one for replacement of plant and vessels, one for the replacement of pontoons and a general reserve. In the event of the budget not balancing at the end of the Financial year any surplus is transferred into the General Reserve and any shortfall would be funded from this reserve.
Supporting Corporate Strategy		Salcombe Harbour is part of the 'Enterprise Theme', creating places for enterprise to thrive and business to grow, contributing to the marine and tourism economy.
Climate Change - Carbon / Biodiversity Impact		None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	None
Safeguarding	N	None



Community Safety, Crime and Disorder	Y	The proposed budget includes a continuation of the Night Security Patrol, the aim of which is to reduce crime.
Health, Safety and Wellbeing	N	No adverse impacts.
Other implications	N	

### **Supporting Information**

#### **Appendix:**

- A. Salcombe Harbour Budget 2021/22
- B. Salcombe Harbour Balances & Loans
- C. Budgeted Payments between Salcombe Harbour and SHDC for 2021/22

#### **Background Papers:**

Budget Working Papers